

*City of Alexandria, Virginia*10
2-13-01

MEMORANDUM

DATE: FEBRUARY 7, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *ps*

SUBJECT: RECEIPT OF THE FISCAL YEAR 2000 ANNUAL REPORT OF THE
LANDLORD-TENANT RELATIONS BOARD

ISSUE: Receipt of the 2000 Annual Report of the Landlord-Tenant Relations Board.

RECOMMENDATION: That City Council receive the report.

DISCUSSION: At its October 4, 2000 meeting, the Landlord-Tenant Relations Board unanimously approved the submission of the Board's 2000 Annual Report (Attachment I). This report covers the period ending June 30, 2000. Highlights of the report are discussed below.

During Fiscal Year 2000, the Board recommended to City Council to increase the City's Voluntary Rent Guidelines for the first time since 1993 due to changes in market conditions. From 1993 until November 1999, the recommended percentage remained at no more than a 7% increase for properties with all utilities paid, and no more than a 4.5 % increase for properties with tenant-paid utilities. At its November 23, 1999 meeting, City Council adopted the resolution from the Landlord-Tenant Relations Board recommending that the guidelines increase from 7% to 7.5% and from 4.5% to 5%. (An additional increase to the Voluntary Rent Guidelines for calendar year 2001 is the subject of a separate docket item for Council's February 13, 2001 meeting.)

The Landlord-Tenant Relations Board monitored significant changes in the City's rental market during Fiscal Year 2000. During that time, several owners and managers of properties in the City of Alexandria discontinued participation in the Section 8 Existing Housing Assistance Payments program. The elimination of program participation by these properties has resulted in displacement of a number of City residents with Section 8 assistance. At its April 15, 2000 Public Hearing, City Council requested that the Landlord-Tenant Relations Board review this situation and report back to Council with the Board's findings and recommendations. After consideration of this issue, the Landlord-Tenant Relations Board voted to present a number of recommendations to City Council, many of which were approved by Council. These recommendations included working with ARHA and with HUD in seeking exceptions to the Fair Market Rent, the standard used by HUD to determine subsidy amounts. Over the course of the last year many of the recommendations have been implemented by HUD, including increasing the Fair Market Rent (FMR), allowing public housing authorities in the Washington, D. C. metropolitan area to establish payment standards which

exceed the FMR by 20 percent (which ARHA has done) and providing regulations which allow more flexibility for rent increases responding to market conditions. Consideration of additional recommendations by the Board to City Council regarding the issue of rising rents, and the possibility of the City providing financial assistance for the purchase of rental units that will be maintained as affordable housing have been incorporated into the work of the City Manager's Affordable Housing Task Force, which was developed as a result of City Council's Retreat. The task force began meeting in January 2001.

Also among the Board's recommendations was to consider a source of income protection under the City's Human Rights Ordinance. This protection is used in Montgomery and Howard Counties in Maryland to prohibit landlords from refusing to rent to a prospective tenant because of the applicant's participation in the Section 8 program. The request for state enabling legislation to permit Virginia jurisdictions to establish a fair housing protection based on source of income is being considered regionally by the Northern Virginia Regional Commission as a possible recommendation during next year's session of the Virginia General Assembly.

During the report period, the Landlord-Tenant Relations Board sponsored two educational opportunities for real estate and property management professionals. These included Fair Housing Training in April and the Annual Apartment Managers' Seminar in October 2000.

ATTACHMENT:

- I. 2000 Annual Report of the Landlord-Tenant Relations Board

STAFF:

Melodie Baron, Division Chief, Office of Housing
Robert Mulderig, Deputy Director, Office of Housing
Mildrilyn Stephens Davis, Director, Office of Housing

Annual Report of the Landlord-Tenant Relations Board
July 1999 to June 2000

I. Board Membership

| Member Name | Category | Officer/ Committee/Board Assignment |
|-------------------|-----------|--|
| Anthony Brooks | Landlord | |
| Cynthia Clare | Landlord | |
| Ludwig Gaines | Homeowner | Chairperson (7/99 to 12/99) |
| Raymond Johnson | Homeowner | Human Rights Committee |
| Fletcher Johnston | Homeowner | Fair Housing Testing Program Advisory Committee |
| Luther Murphy | Tenant | |
| Joann Poladian | Landlord | Chairperson (1/00 to 6/00) Vice Chairperson (6/99 to 12/99) |
| Richard Sforza | Tenant | Economic Opportunities Commission |
| Debra Zusman | Tenant | Alexandria Redevelopment and Housing Authority Vice Chairperson (1/00 to 6/00) |

II. Fiscal Year 2000 Rental Market Conditions

Fiscal Year 2000 was an important year for the City and the Landlord-Tenant Relations Board. The rental market in the Washington D.C. Metropolitan region was extremely strong, which caused a number of concerns for the Board, including high rent increases, lack of available rental units, particularly affordable units, and decreased participation in the Section 8 Existing Housing Assistance Payments Program. In the City of Alexandria, multifamily vacancy rates remained steady at less than 1 %. The Alexandria Office of Housing's survey of multifamily complexes with ten or more units indicated that the City-wide average rent (for vacant units placed on the market) increased approximately 17% from January 1998 to January 2000. Delta Associates, a real estate consulting firm which provides statistical services on real estate sub-markets, reported that during the second quarter of 2000, Class B¹ rental garden apartment rents in Northern Virginia increased 15% over the second quarter of 1999, and Class B high-rise apartment rents increased 12.9%. Delta Associates reports that the June 2000 vacancy rates for Class B apartments were .2% for high-rise apartments and .1% for garden apartments.

III. Principal Board Activities

A. *Voluntary Rent Guidelines*

For over 20 years, the City has encouraged landlords to limit rent increases in accordance with the City's Voluntary Rent Guidelines. The Landlord-Tenant Relations Board makes recommendations to City Council on an annual basis regarding the adequacy of these Guidelines. Because of the previously noted rental market conditions, in Fiscal Year 2000, the Board recommended that the guidelines increase for the first time since 1993. From 1993 until November 1999, the recommended percentage remained at no more than a 7 % increase for properties with all utilities paid, and no more than a 4.5 % increase for properties with tenant-paid utilities. At its November 23, 1999 meeting, City Council adopted the resolution from the Landlord-Tenant Relations Board recommending that the guidelines increase from 7 % to 7.5% and from 4.5 % to 5 %.

B. *Application of Voluntary Rent Increase Guidelines*

During Fiscal Year 2000, in response to a number of resident complaints of rent increases in excess of the City's Rent Increase Guidelines, the Board reviewed increases at Hillwood, a Mark Winkler property which was formerly known as Hamlet North. Staff had not been able to mediate in these instances as the owners felt that the increases were necessary based on increased costs and improvements made to the property.

¹ Delta Associates defines Class B apartments as well maintained units built prior to 1970. This is the predominant rental apartment product in the City of Alexandria.

After reviewing the increases, the Board determined that increases were due to renovations underway at the property, which are recognized by City Council as reasons why less than full compliance with the Guidelines may be considered valid. Hillwood's owner, The Mark Winkler Company, spent over \$11million in renovations which included replacement of all HVAC units changing the units to gas heaters, exterior lighting improvements, roof replacement, hallway renovation and decoration, installation of enclosed secured door entry systems, and the installation of updated kitchen and bathroom improvements.

The Board reached agreement with representatives of the Mark Winkler Company that the increases would constitute a one-time market adjustment, and that the Mark Winkler Company would then apply the percentages recommended by the City's Voluntary Rent Guidelines, as the Company has always done. The Board also asked that management make every effort to mitigate hardship by either moving tenants to a less expensive unit in a non-renovated property or stagger the increase over several months. Mark Winkler Company representatives agreed that they would make every effort to accommodate the needs of the residents.

C. *Review of Section 8 Participation in Multifamily Properties*

During Fiscal Year 2000, several owners and managers of properties in the City of Alexandria have discontinued participation in the Section 8 Existing Housing Assistance Payments program. The elimination of program participation by these properties has resulted in displacement of a number of City residents with Section 8 assistance. At its April 15, 2000 Public Hearing, City Council requested that the Landlord-Tenant Relations Board review this situation and report back to Council with the Board's findings and recommendations.

The Landlord-Tenant Relations Board considered this issue as requested, and developed a subcommittee of the Board to study landlord reasons for discontinuing participation in the Section 8 program. The Board found that the issue is quite complex, directly related to the strong rental market that is currently being experienced, and is a national problem. After consideration and review of the subcommittee's findings, at its May 3 meeting, the Landlord-Tenant Relations Board voted to present the following recommendations to City Council:

Recommendations involving ARHA

- Work with ARHA in its public education program to publicize the benefits of participation in the Section 8 program.

- Encourage ARHA to seek exception rents where appropriate and necessary.
- Provide financial support to ARHA or other nonprofit housing providers in purchasing housing units which will be available to Section 8 program participants.

Legislative and HUD policy recommendations²

- Consider a source of income protection under the City's Human Rights Ordinance.
- Support the legislative recommendations of the National Association of Housing and Redevelopment Officials (NAHRO) for increasing Section 8 Fair Market Rents and recommending that HUD review how often 120% Fair Market Rent exceptions are utilized in high cost areas.
- Recommend to HUD that a process be developed for interim rent increases (currently rents can only be adjusted annually) and for interim revisions to Fair Market Rents (currently adjusted annually) if necessary to respond to changing market conditions.
- Recommend to HUD that it work with landlords to make the program more desirable in strong housing markets, and particularly review the Section 8 Lease Addendum with landlord representatives.

Other Recommendations

- Provide funding for rehabilitation of older multifamily rental properties and, as conditions of funding, require that properties maintain rents that do not exceed the Section 8 Fair Market Rents and require participation in the Section 8 program up to an established percentage of units (to avoid concentration).
- Encourage nonprofit organizations that guarantee rent and unit condition for program participants by leasing units and subleasing to Section 8 program participants to operate in Alexandria. (For example, in Fairfax County, Good Shepherd Housing rents units and

² Over the course of the last year many of these recommendations have been implemented by HUD, including increasing the Fair Market Rent (FMR), allowing public housing authorities in the Washington, D. C. metropolitan area to establish payment standards which exceed the FMR by 20 percent (which ARHA has done), and providing regulations which allow more flexibility for rent increases responding to market conditions.

then sublets them to program participants, with the non-profit assuming responsibility for rent and damages.)

- Develop a program to recognize landlords for community service and outstanding contributions to Alexandria's tenants.

Council considered the Board's report, approving most of the recommendations, but deferring others for a broader policy discussion in the context of the City Council Retreat. At the retreat, Council agreed to the City Manager's establishment of an Affordable Housing Task Force to make recommendations on housing policy matters.

D. Training Opportunities for Apartment Industry and Real Estate Professionals

The Landlord-Tenant Relations Board annually sponsors a seminar which offers topics of interest to apartment owners and property management professionals. In Fiscal Year 2000 the Seminar was held on October 27, 1999, at the Nannie J. Lee Recreation Center, with approximately 40 persons in attendance.

The 1999 Apartment Managers Seminar included a segment on the Virginia Fair Housing Law provided by the Commonwealth of Virginia Department of Professional and Occupational Regulation. Dayton Eckerson, an Attorney with the U.S. Environmental Protection Agency Lead Program, provided information on new EPA requirements for lead-based paint hazard education before renovation of target housing. Additional information was provided by the Apartment and Office Building Association, the City's Voter Registration Office, Human Rights Office, and Office of Housing.

In Fiscal Year 2000, the Landlord-Tenant Relations Board and the City's Fair Housing Testing Advisory Committee co-sponsored fair housing training in April to commemorate Fair Housing Month. The City's Office of Housing and the Equal Rights Center presented information on housing discrimination and the City's Fair Housing Testing Program to approximately 60 real estate and property management professionals.

E. Legislative Changes to Landlord-Tenant Laws

Each year during the Virginia General Assembly session, staff and the Landlord-Tenant Relations Board follow legislation which will affect landlords and tenants in Alexandria. Legislation monitored in Fiscal Year 2000 included changes to the Uniform Statewide Building Code and to the Virginia Residential Landlord-Tenant Act. During the 2000 General Assembly, the Virginia Residential Landlord-Tenant Act was re-codified to eliminate inconsistencies and clarify aspects of the law.